Form 3160-3 (August 1999)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

FORM APPROVED OMB No. 1004-0136 Expires November 30, 2000

- 5.	Lease Serial No.	
	NMNM96568	

APPLICATION FOR PERMIT TO DRILL OR REENTER	6. If Indian, Allottee or Tribe Name

1a. Type of Work: 🛮 DRILL 🔲 REENTER		7. If Unit or CA Agreement, Name and No.
1b. Type of Well: ☐ Oil Well ☐ Gas Well ☐ Oth	er 🙀 Single Zone 🦳 Multiple Zone	Lease Name and Well No. FILAREE 24 FEDERAL 3
<u> </u>		9. API Well No.
DEVON ENERGY PRODUCTION CO L P	LINDA GUTHRIE E-Mail: linda.guthrie@dvn.com	30-015-33618
3a. Address 20 NORTH BROADWAY SUITE 1500 OKLAHOMA CITY, OK 73102	3b. Phone No. (include area code) Ph: 405.228.8209 Fx: 405.552.4621	10. Field and Pool, or Exploratory HAPPY VALLEY- MORROW
4. Location of Well (Report location clearly and in accorded	ince with any State requirements.*)	11. Sec., T., R., M., or Blk. and Survey or Area
At surface SESW 1200FSL 1930FWL At proposed prod. zone		Sec 24 T22S R25E Mer NMP SME: BLM
At proposed prod. zone	RECEIVED	
14. Distance in miles and direction from nearest town or post	office*	12. County or Parish 13. State
APPROXIMATELY 6 MILES NW OF CARLSBAI		EDDY NM
15. Distance from proposed location to nearest property or	16. No. of Acres in Lease	17. Spacing Unit dedicated to this well
lease line, ft. (Also to nearest drig. unit line, if any)	OOD:ARTESIA	
	880.00	320.00
18. Distance from proposed location to nearest well, drilling,	19. Proposed Depth	20. BLM/BIA Bond No. on file
completed, applied for, on this lease, ft.	40000 MD	
	12000 MD	
21. Elevations (Show whether DF, KB, RT, GL, etc.	22. Approximate date work will start	23. Estimated duration
3444 GL	08/20/2004	30 DAYS
	24. Attachments CADIS	PAD CONTROLL
·	CARLS	BAD CONTROLLED WATER BASIN

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
 A Drilling Plan.
- 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above)
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature (Electronic Submission)	Name (Printed/Typed) LINDA GUTHRIE	Date 07/16/2004
Title REGULATORY SPECIALIST		
Approved by (Signature) /S/ Joe G. Lara	Name (Printed/Typed) /S/ Joe G. Lara	Date SEP 2004
FIELD MANAGER	CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional Operator Remarks (see next page)

Electronic Submission #33135 verified by the BLM Well Information System
For DEVON ENERGY PRODUCTION CO L P, sent to the Carlsbad
Committed to AFMSS for processing by ARMANDO LOPEZ on 07/16/2004 (04AL0265AE)
APPROVAL SUBJECT TO

GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS

Witness Surface & Intermediate Casing

ATTACHED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** DISTRICT I 1625 M. French Dr., Hobbs, NM 88240 DISTRICT II 811 South First, Artesia, NM 88210

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102 Revised March 17, 1999

Submit to Appropriate District Office

State Lease - 4 Copies Fee Lease - 3 Copies

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 67410 DISTRICT IV

2040 South Pacheco, Santa Pe, NM 87505

Dedicated Acres

Joint or Infill | Consolidation Code

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, New Mexico 87504-2088

[] AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name			
		Happy Valley; Morn	row (Gas)		
Property Code		Property Name FILAREE "24" FEDERAL			
OGRID No. 6137	•	Operator Name DEVON ENERGY PRODUCTION COMPANY LP			

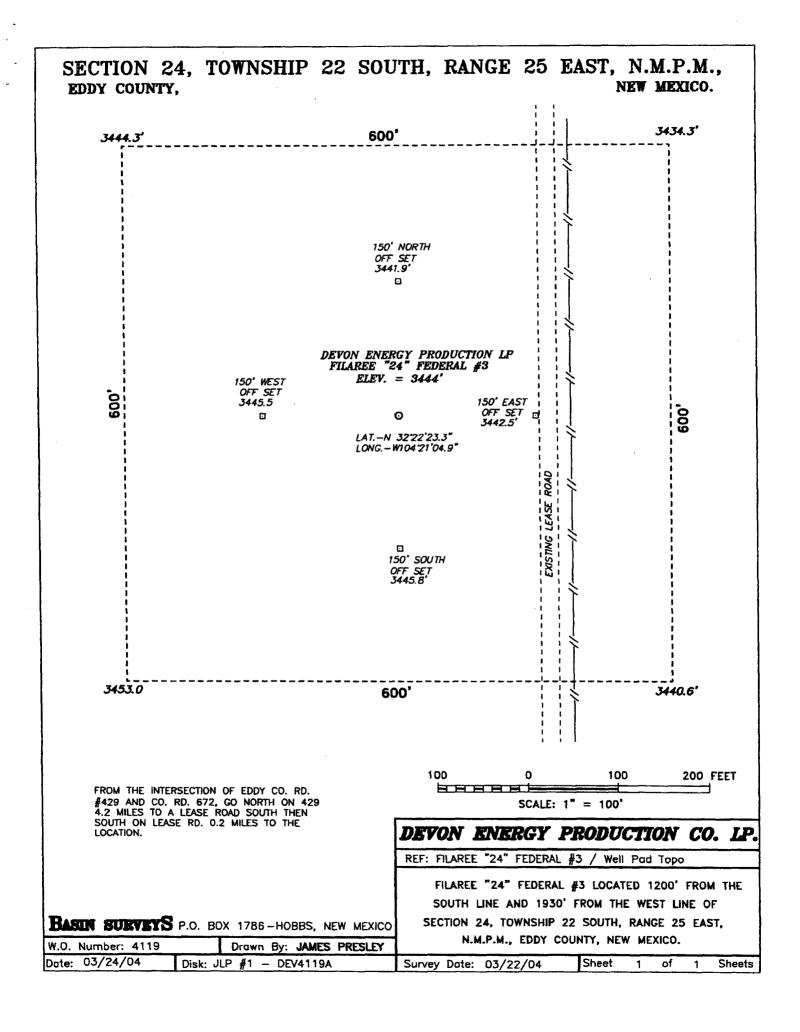
Surface Location

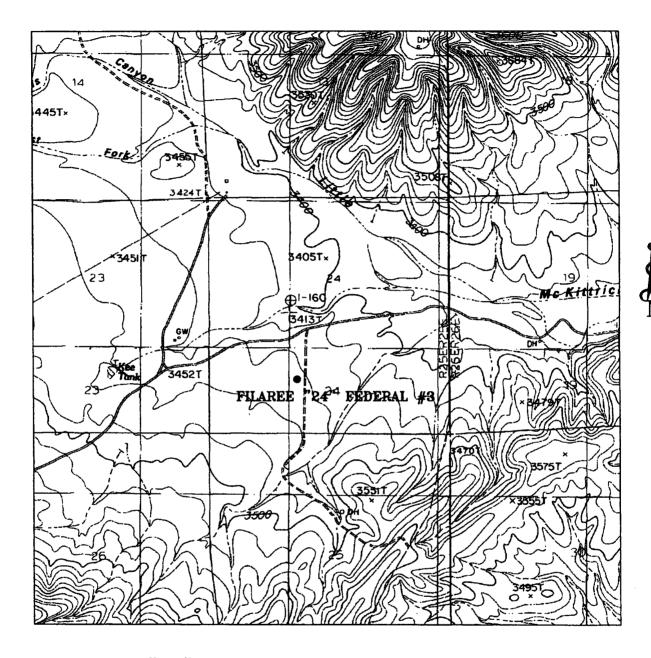
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	24	22 S	25 E		1200'	SOUTH	1930'	WEST	EDDY
Bottom Hole Location If Different From Surface									
			Bottom	Hole roc	cation If Diffe	erent From Sur	face		
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	face Pest from the	East/West line	County

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

Order No.

4 / / / /		
		OPERATOR CERTIFICATION
X	i 7 i	I hereby certify the the information
	i 1. i	contained herein is true and complete to the best of my knowledge and belief.
X	i ∮ i	Deal of may announcing und versey.
1		
L	i k i	11 Cental Nuthris 1
L	<u> </u>	Signature
		Linda Guthrie
4	¦	Printed Name
		Regulatory Specialist
<i>Y</i>	;	Title
		07/14/04 Pate
lt.	!	Pace
1		SURVEYOR CERTIFICATION
	4	I hereby certify that the well location shown
P		on this plat was plotted from field notes of
		actual surveys made by me or under my
	Long.: W104°21'04.9"	supervison, and that the same is true and correct to the best of my belief.
Y		
	1	MARCH 1221042004
	3444.3'3434.3'	Date Surveyed N MEXIC
1930'—	+	Signature & Sea of O
1930		
	3453.0' 3440.6'	Tal & Swa
 }	1 5555.0 1	3
)	De No. 4 15
lk.	!	Certificate No. Cary Jones 7977
1	1, 1	JLP
L-//-//-//		BASIN SURVEYS





FILAREE "24" FEDERAL #3
Located at 1200' FSL and 1930' FWL
Section 24, Township 22 South, Range 25 East,
N.M.P.M., Eddy County, New Mexico.



P.O. Box 1786 1120 N. West County Rd. Hobbs, New Mexico 88241 (505) 393-7316 - Office (505) 392-3074 - Fax basinsurveys.com

W.O. Number:	4119AA - JLP #1
Survey Date:	03/22/04
Scale: 1" = 20	000,
Date: 03/24/	'04

DEVON ENERGY PRUDUCTION COMPANY LP.

DRILLING PROGRAM

Devon Energy Production Company, L.P. FILAREE 24 FEDERAL #3 1200 FSL & 1930 FWL, Unit N, Section 24-T22S-R25E Eddy County, New Mexico

1. Geologic Name of Surface Formation

Quaternary deposits

2. Estimated Tops of Important Geologic Markers

Delaware	2,300'
Bone Spring	4,725'
Canyon	9,475'
Strawn	9,740'
Atoka	10,100'
Morrow	10,700'
Lower Morrow	11,125
Barnett Shale	11,300'
TD	±11,500°

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas

The estimated depths at which water, oil and gas will be encountered are as follows.

Random fresh water from surface to approximately 350'

Oil:

Bone Spring

Gas:

Strawn, Atoka, Morrow

No other formations are expected to yield oil, gas or fresh water in measurable volumes. The surface fresh water sands will be protected by setting 13 3/8" casing at 475' and circulating cement back to surface. The intermediate intervals will be protected by setting 9 5/8" casing at 2,650' and circulating cement to surface. The production intervals will be isolated by setting 5 1/2" casing to total depth and circulating cement to surface.

4. Casing Program

Hole Size	Interval	Casing OD	Weight, ppf	<u>Grade</u>	<u>Type</u>	
17 1/2"	0-475'22.00	13 3/8"	48	H-40	ST&C	WITNESS
12 1/4"	0-2,650	9 5/8"	36	J-55	LT&C	WITNESS
8 3/4"	0-11,350'±	5 1/2"	17	HCP-110	LT&C	

Cementing Program 13 3/8" Surface Casing	Cement to surface - with approximately 433 sx Class C
9 5/8" Intermediate Casing	Cement to surface - with approximately 629 sx 35:65 Pozmix + 250 sx Class C
5 1/2" Production Casing	Cement to surface - with approximately 1100 sx Super H + 1050 sx Class C
	Lite + 200 sx Class C neat

The cement volumes for the 5 1/2" casing will be revised pending the caliper measurement from the open hole logs.

5. <u>Minimum Specifications for Pressure Control</u>

Exhibit 1 Prior to intermediate, the blowout preventor equipment will consist of a 2M system. A 2000 psi WP pipe ram and/or a 2000 psi (Hydril) preventor. After Td'ing intermediate, a Blow-out Preventer (5,000/10,000 PSI working pressure) consisting of double ram type preventer with bag type preventor will be used. Units will be hydraulically operated. A choke manifold and closing unit will be used. Blind rams on top, pipe rams on bottom to correspond with size of drill pipe in use. BOP will be tested as well as choke manifold. BOP will be worked at least once each day while drilling & blind ram will be worked on trips when no drill pipe is in hole. Full opening stabbing valve and upper Kelly cock will be utilized. The 2M BOP & associated wellhead equipment will be tested to 1215# with the rig pump. After setting the 9 5/8" casing a 5000# casing head & 5000# BOP will be installed & tested to with an independent tester in accordance with Onshore Order No. 2

6. Types and Characteristics of the Proposed Circulating Mud System

The well will be drilled to total depth with fresh water/brine/starch mud systems. Depths of systems are as follows.

<u>Depth</u>	<u>Type</u>	Weight (ppg)	Viscosity (1/sec)	Water Loss (cc)
0'-475', 20	Fresh water/paper	8.5-9.5	29 - 34	No control
475' - 2650'	Fresh wtr/paper/lime	8.5 - 10.5	29 - 34	No control
2.200' 2650' - 9000'	Cut Brine/paper/ lime/gel	10 – 10.6	29 – 34	No control
9000' – TD	Brine/Dris-pac/	10 – 10.8	32 – 38	10 or less

The necessary mud products for weight addition and fluid loss control will be on location at all times.

7. Auxiliary Well Control and Monitoring Equipment

- A. A kelly cock will be in the drill string at all times.
- B. A full opening drill pipe stabbing valve having the appropriate connections will be on the rig floor at all times.
- C. Hydrogen Sulfide detection equipment (Compliance Package) will be in operation from drilling out the 9 5/8" casing shoe until the 5 1/2" casing is cemented.

8. Logging, Testing and Coring Program

- A. No cores or drill stem tests are planned at this time.
- B. The open hole electrical logging program will be as follows.

Schlumberger Platform Express Azimuthal Laterlog/MCFL/NGT and Three Detector Litho-Density Compensated Neutron/NGT logs from TD to base of surface casing.

- A formation pressure testing tool and a formation imaging tool may be run.
- C. Additional testing will be initiated subsequent to setting the 5 1/2" production casing. Specific intervals will be targeted based on log evaluation, geological sample shows and drill stem tests.

9. Abnormal Pressures, Temperatures and Potential Hazards

No abnormal pressures or temperatures are foreseen. The anticipated bottom hole temperature at total depth is 170 degrees and maximum bottom hole pressure is 4500 psig. Hydrogen sulfide gas may be encountered in this area and a Contingency Plan will be available at the location. Lost circulation intervals have been encountered in adjacent wells.

10. Anticipated Starting Date and Duration of Operations

A cultural resources examination will be submitted to the BLM in Carlsbad.

Road and location preparation will not be undertaken until approval has been received from the BLM. If approved, this well will be drilled as part of a development project. The anticipated spud date for the project is August, 2004. The drilling operation should require approximately 40-45 days. If the well is deemed productive, completion operations will require, at minimum, an additional 30 days of testing to ascertain whether permanent production facilities will be constructed.

11. Other Facets of Operations

After running casing a cement bond/gamma ray/collar log will be run.

The Morrow pay will be perforated and stimulated. The well will be swab tested and potentialed as a gas well.

FILAREE "24C" FEDERAL #3 SURFACE USE AND OPERATING PLAN PAGE 5

12. Other Information

- A. The project is located on in an area of rolling limestone hills used for ranching and raising cattle.

 Drainage is to the east toward the Pecos River via Little McKittrick Draw.
 - Regionally the slopes average 1-3% and the calcareous land area consists of aridisols ranging from loamy sand to clay.
 - Vegetation consists of mesquite, creosote, algerita, acacia, cholla, snakeweed, yucca cactus, and various grasses.
- B. There is no permanent water in the immediate area.
- C. Upon completion a cultural resources examination will forwarded to the BLM office in Carlsbad, New Mexico, by Southern New Mexico Archeological Resources, Inc., in Bent.

13. Lessee's and Operator's Representative

The Devon Energy Production Company, L.P. representatives responsible for ensuring compliance of the surface use plan are as follows.

Wyatt Abbitt
Operations Engineering Advisor
Devon Energy Production Company, L.P.
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260
(405) 552-8137 (office)
(405) 245-3471 (cell)

Don Mayberry
Superintendent
Devon Energy Production Company, L.P.
Post Office Box 250
Artesia, New Mexico 88211-0250
(505) 748-3371 (office)
(505) 746-4945 (home)

Certification

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access road; that I am familiar with the conditions that presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Devon Energy Production Company, L.P. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

Signed:

Linda Guthrie

Regulatory Specialist

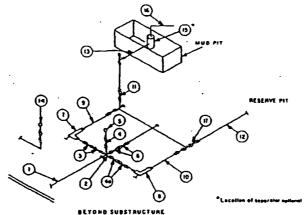
Date: July 12, 2004

Attachment to Exhibit #1 NOTES REGARDING BLOWOUT PREVENTERS Devon Energy Production Company, L.P. FILAREE 24 FEDERAL #3

1200 FSL & 1930 FWL, Unit N, Section 24-T22S-R25E Eddy County, New Mexico

- 1. Drilling nipple will be constructed so it can be removed mechanically without the aid of a welder. The minimum internal diameter will equal BOP bore.
- 2. Wear ring will be properly installed in head.
- 3. Blowout preventer and all associated fittings will be in operable condition to withstand a minimum 5000 psi working pressure.
- 4. All fittings will be flanged.
- 5. A full bore safety valve tested to a minimum 5000 psi WP with proper thread connections will be available on the rotary rig floor at all times.
- 6. All choke lines will be anchored to prevent movement.
- 7. All BOP equipment will be equal to or larger in bore than the internal diameter of the last casing string.
- 8. Will maintain a kelly cock attached to the kelly.
- 9. Hand wheels and wrenches will be properly installed and tested for safe operation.
- 10. Hydraulic floor control for blowout preventer will be located as near in proximity to driller's controls as possible.
- 11. All BOP equipment will meet API standards and include a minimum 40 gallon accumulator having two independent means of power to initiate closing operation.

EXHIBIT# 1

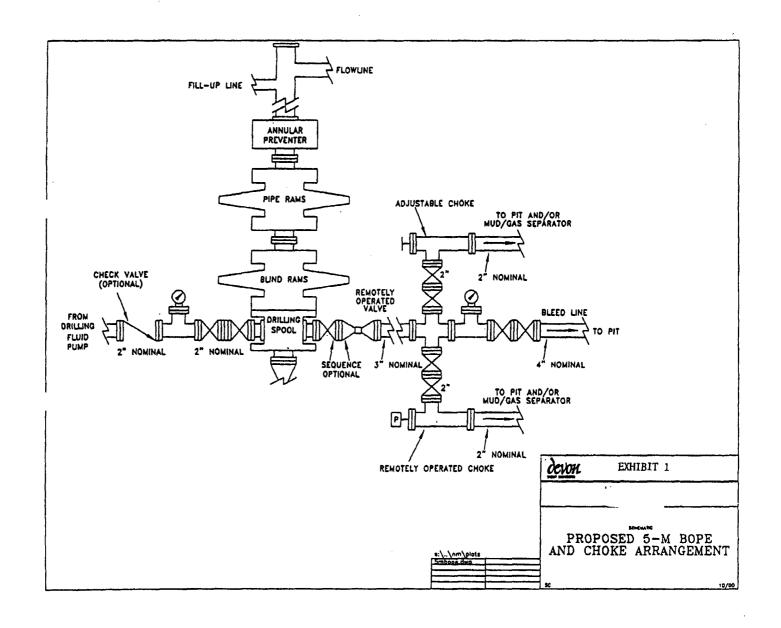


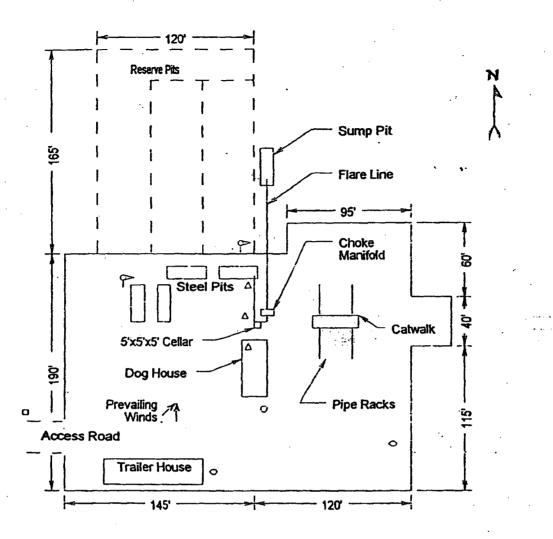
	MINIMUM REQUIREMENTS									
		3,000 MWP			5,000 MWP			10,000 MWP		
No.		1.D.	HOMINAL	RATING	1.0.	NOMINAL	RATING	10.	NOMINAL	DATING
-	Line from dritting speed	L	r	3,000		3.	000,2		3*	10,000
2	Cross 3"x3"x3"x2"			3.000			5,000			
L	Cross 3"x3"x3"x3"	I								10,000
3	Valves(1) Gate () Plug ()(2)	3-1/8"		3,000	3-110-		5,000	3-1/8"		10.000
4	Valve Gale (i Plug ()(2)	1-13/16*		3,000	1-13/16"		5,000	1-13/16*		10,000
48	Valves(1)	2-1/16"		2,000	2-1/15"	1	5,000	3-1/8"		10,000
5	Pressure Gauge			3,000			5,000			10,000
6	Valves Gate C Plug (D[2)	3-1/6-		3,000	3-1/8"		5,000	3-1/6-		10,000
7	Adjustable Choks(3)	7*		3,000	Z*		5,000	2-		10,000
	Adjustable Choke	1.		3,000			5,000	5.		10,000
9	Line		3.	3,000		3.	5,000		3.	10,000
10	Line	T	5.	3,000	1	5-	5,000		3"	10,000
11	Valves Gate D Plug (D(Z)	3-1/8*		3,000	3-1/8*		5,000	3-1/8-		16,000
12	Lines		3.	1,000		3.	1,000		3-	2,000
13	Lines		3.	1,000		3.	1,000		3"	2,000
14	Remote reading compound standpipe pressure gauge			3.000			5,000			10.000
15	Gas Separator		2'x5'			5.K2.			2'15'	
16	Line		4"	1,000		4*	1,000	1	4.	2,000
17	Valves Gate () Plug ()(2)	3-1/8"		3,000	3-178*		5,000	3-1/8"		10,000

- (1) Only one required in Class 3M.
- (Z) Gate valves only shall be used for Class 10M.
- (3) Remote operated hydraulic choke required on 5,000 pst and 10,000 psi for drilling.

EQUIPMENT SPECIFICATIONS AND INSTALLATION INSTRUCTIONS

- All connections in choke manifold shall be welded, studded, flanged or Cameron clamp of comparable rating.
 All flanges shall be API 68 or 6BX and ring gaskets shall be API RX or BX. Use only BX for 10 MWP.
 All flanges shall be securely anchored.
 Chokes shall be equipped with lungsien carbide seats and needles, and replacements shall be available.
 Choke manifold pressure and standpips pressure gauges shall be available at the choke manifold to essist in regulating chokes. As an alternate with automatic chokes, a choke manifold pressure gauge shall be located on the rig floor in conjunction with the standpips pressure gauge.
 Line from drifting spool to choke manifold should be as straight as possible. Lines downstream from chokes shall make turns by large bends or 90° bends using bull plugged tees.
 Discharge lines from chokes, choke bypass and from top of gas apparator should vent as far as practical from the well.





- Wind Direction Indicators (wind sock or streamers)
- Δ H2S Monitors (alarms at bell nipple and shale shaker)
- Briefing Areas
- O Remote BOP Closing Unit
- Sign and Condition Flags

EXHIBIT 6
DEVON ENERGY PRODUCTION COMPANY, L.P.**

SECTION 25-T22S-R25E EDDY CNTY, NM devon

Devon Energy Corporation 20 North Broadway Oklahoma City, Oklahoma 73102-8260

Hydrogen Sulfide (H₂S) Contingency Plan

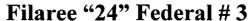
For

Filaree "24" Federal # 3

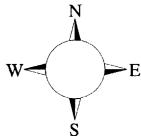
1200'FSL & 1930' FWL, Sec-24, T-22S R-25E

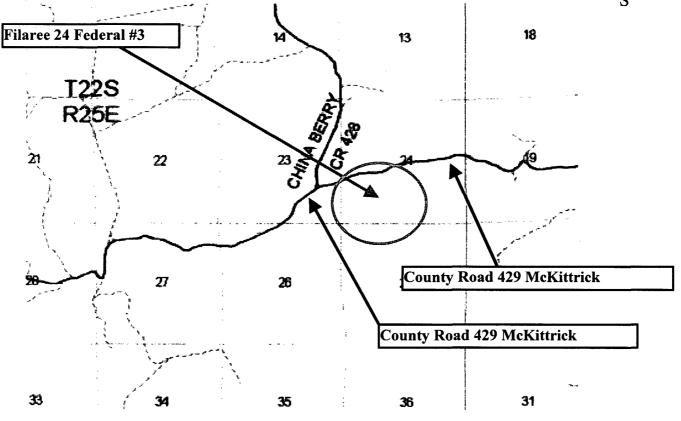
Eddy County NM

AUG 0 2 2004



This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H₂S, including warning signs, wind indicators and H₂S monitor.





Assumed 100 ppm ROE = 3000'. (Radius of Exposure) 100 ppm H2S concentration shall trigger activation of this plan.

Escape

Crews shall escape upwind of escaping gas in the event of an emergency release of gas. Escape can be facilitated North on lease road. Crews should then block County Road 429 so as not to allow anyone traversing into a hazardous area. There are no homes or buildings in or near the ROE.

Emergency Procedures

In the case of a release of gas containing H_2S , the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H_2S , measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H_2S monitors and air packs in order to control the release. Use the "buddy system' to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H₂S and SO₂

Common Name	Chemical Formula	Specific Threshold Limit		Hazardous Limit	Lethal Concentr- ation	
Hydrogen Sulfide	H ₂ S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm	
Sulfur Dioxide	SO ₂	2.21 Air = 1	2 ppm	N/A	1000 ppm	

Contacting Authorities

Devon Energy Corp. personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. Devon Energy Corp. Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Devon Energy Corp. Company Call List

Artesia (505)

Aitesia (303)	Celiulai	Office	Home
n nic 4	200 5002	740.0174	007.6006
Foreman – BJ Cathey			
Asst. Foreman – Bobby Jones			
Cecil Thurmond			
David Purdy			
Engineer Tom Pepper	(405) 203-2242	(405) 552-451	3 (405) 728-8641
Agency Call List			
Eddy County (505)			
Artesia			
State Police		•	746-2703
City Police		i i	
Sheriff's Office			
Ambulance			
Fire Department			
LEPC (Local Emergency Plan			
NMOCD			
1111000	***************************************	***************************************	1205
Carlsbad			
State Police	***************************************		885-3137
City Police			885-2111
Sheriff's Office			887-7551
Ambulance		*******************	911
Fire Department			885-2111
LEPC (Local Emergency P	lanning Committe	e)	887-3798
US Bureau of Land Manag	_	•	
	,		
New Mexico Emergency R	Response Commiss	ion (Santa Fe)	(505)476-9600
24 HR	-	• •	• •
National Emergency Response			
ranoma Emergency respe	mse center (wash	ingion, Do)	(000) 121 0002
Other			
Boots & Coots IWC	15) 699-0139 or (91 (505) 746-2757		
Flight For Life 4000 24th St. L.	ubbook TV	/6	206) 742 0011
Flight For Life -4000 24th St, Lu Aerocare -Rr 3 Box 49f, Lubboo			
Med Flight Air Amb 2301 Yale			
S B Air Med Svc 2505 Clark Ca			
5 D All Ivicu Svc 2303 Clark Ca	II Loop SE, Aloud, I	[AIA](JUJ J 042-4747

Cellular

Home

Office ____

Prepared in conjunction with Wade Rohloff of;

